

# Customer Appreciation Strategy: Conceptualizing the Model for Measurement

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## Abstract

Several definitions and descriptions exist as to the meaning of Customer appreciation strategy (CAS), but we view customer appreciation strategy as a marketing tactics used by organizations to win customer loyalty and brand commitment over its product and service offerings. The purpose of this paper is to conceptualize a working model for implementing customer appreciation strategy in research; profit oriented firms as well as the nonprofit making organizations. Overall, the paper conceptualized three domains for CAS implementation, among which includes: service personalization; internal customer reward system and external customer reward system. We concluded therefore that CAS tactics is viable for use in attaining business goals and objectives, the paper recommends for industry players to adopt the three domains of CAS in planning CAS programs, because it presents high possibility and potentials for business growth and attraction of competitive advantage (Impact Evaluation:- Post Customer Appreciation Strategy Implementation outcomes).

**Key words:** Customer Appreciation Strategy, Service Personalization, Internal Customer Reward, External Customer Reward.

## 1. Introduction

The business world today, be it the profit making ventures such as banks, insurance, oil and gas firms etc. or the nonprofit making ventures such as religious bodies, charity organizations or public institutions, are all faced with the challenge of managing human needs and wants. This needs and wants of their target prospect has made it imperative to device means and ways of satisfying customers with the aim of retaining them as to make profit or meet the organizations purpose of existence. However, this study will focus mainly on the application of the CAS in the profit making ventures. Customer appreciation strategy has been in existence in organizations though in a tacit manner, firms engage in it just for the purpose of celebrating and networking without seeing the underpinning opportunities inherent in this strategy. This strategy is rooted in the concept of customer relationship management which is aimed at managing relationships with existing customers and prospects with the aim of delivering value to the customers as well as optimizing profitability (Wali and Opara 2013<sup>a</sup>). Very little or none has been empirically researched on the Influence of customer appreciation strategy and how it can potentially impact on organizational performance. Similarly, no available conceptual model in literature for measuring customer appreciation strategy knowing that firms have begun to realize the possible profitability potentials embedded in this strategy. Therefore this paper is aimed at developing a model for measuring CAS in theory and in practice. The significance of this model we hope will benefit scholars who intend to research into CAS behaviors, industry players as well as the non-profit making outfit that will key into its recommendations.

## 2. Theoretical and Empirical Underpinning of Customer Relationship Management and Customer Appreciation Strategy

Customer appreciation strategy is traceable to customer relationship management Theory and the social exchange theory. The social exchange theory was derived from the work of Thorndike's (1932) on the development of the reinforcement theory; mill's (1923) marginal utility theory; as well as from the works of other sociologist like (Homans 1961; Blau 1964; Emerson 1972) (Smale 1990). The dimensions that has existed to explain the social exchange theory can be grouped into four, they are; the behavioral school: This category of thinkers believes that behavior is predicated upon notion of rationality. In other words, any behavior that result in a reward, the more tendency that individuals will behave likewise. Also, the more an individual receives a reward the less valued it becomes; hence such individual will seek alternative reward through other behaviors or from other sources. The relationship school is based on reciprocity in that each individual in a relationship will provide value to the other party on equality. Therefore an exchange between two parties must be seen as fair and equitable for the relationship to continue. Also, individuals will seek to maximize their gains and minimize their costs in the exchange relation. More so, individuals participate in a relationship out of a sense of mutual benefit rather than coercion.

### **Assumptions of Social exchange Theory**

Several assumptions have emanated from the SE Theory, these assumptions can be grouped into two categories one that is anchored on the nature of individuals and another which views the relationship between two or more persons. These assumptions were adapted from (Thibaut & Kelly, 1959) and they include:

- Humans seek rewards and avoid punishment
- Humans are rational being whose quest rewards is unending
- Human expense and reward evaluation benchmark differs from one person to another

And

- Relationships are interdependent
- Relationship among human is a process

### **Criticisms of SE Theory**

Miller (2005) outlined some disagreement with the social exchange theory as developed by Homans (1958); Blau (1964) and Emerson (1979), they include:

- The SE Theory reduces human interaction to a purely rational process evolved from economics.
- The SE Theory favors openness based on the way humans interacted during the time of its development.
- The SE Theory believes that the idea of relationship is in closeness and this might not be true always.
- The Theory plots relationships in a linear graph whereas some relationships might jump steps forward and sometimes backward.

In Mitchell et al' (2012) point of objection with the Social exchange theory is that it lacks information within research studies on the various exchange rules. They reiterated that the study would have been better understood if research programs have dwelt on a variety of exchange rules such as altruism; group benefit; consistency in status and competition.

Labus and Merlin (2010) developed the customer relationship management behavior theory which looks at a systematic; interdependent and holistic interactions between customers; organizations and the cultural interface amongst the major players, they summarized the CRMB Theory into a family of seven different perspectives which includes: CRM Leadership model; CRM Strategy model; CRM Organization model; CRM Process model; CRM System model; CRM Customer model and CRM Measurement model.

- CRM Leadership Perspective: According to the theorist the leadership perspective addresses leadership from a transformational approach were customer centric motives and relevant leadership task and roles are expedited in customer relationship management. This approach posits that CRM managers are the go between of requisite change activities; hence their divergent behaviors and actions are analyzed by the market.
- CRM Strategy Perspective: These perspectives believe that the success and failure of CRM is dependent on its strategy, hence its deals with establishing CRM overall plans to win, keep, cost efficiency and develop with the aim attaining high profitability; customer retention and loyalty.
- CRM Organization Perspective: This aspect of the CRMB Theory focuses on people-related behavior in sales, marketing and customer service departments of organizations. Summarily it is focused on integrated customer-centric effort.
- CRM Process Perspective: The CRMP model emphasizes CRM program and project executions and its activities in sales department; marketing department; customer service department; billing department and I add research & development department. Labus and Merlin puts that the process model is related with organization, systems, measurement and customer models.
- CRM Systems Model: This perspective of CRMBT addresses software application related behavior, in terms of installations of software that will deliver maximally to customers, generation and preservation of customer's data as well as proffers of instant CRM related problems as they arise.
- CRM Customer Model: in the view of Labus and Merlin (2010) the customer model focuses on the outside-in-perspective of corporate customers about CRM. They further explained that it is a central model linking external-internal CRM whose is to resolve issues relating to inconsistencies; standardized treatment of clients and long-term CRM commitment gaps.
- CRM Measurement Model: This model deals with CRM performance evaluation in the organization; it also deals with the causal behavior of isolated CRM external and internal measurement as well as the lack of customer- relevant indicators from the outside-in- perspective of CRM. Overall, haven examined the two theories above, the former theoretical perspective of CRM which is SET is pyrocal because its views on CRM are not customer-centrally oriented rather it operates from the economic point of view which makes it difficult to x-ray CRM efficiently and productively. While the latter

theory on CRM which is referred to CRMBT reflects a new consciousness and customer-centric focus spanning across CRM present and future behaviors vis-à-vis customer relationship management behaviors.

Therefore, this study will anchor its theoretical strength on the Customer Relationship Management Behavior Theory (CRMBT) by Labus and Merlin (2010), because its theoretical perspectives carry the pivotal ingredients that will give focus and meaning our study variables.

Customer relationship management has been defined differently by scholars and practitioners obviously based on their academic experience, professional experience and industry climate. Peppard (2000) define CRM as a tool aimed at creating emotional connection with customers; understanding customers' needs. It differentiated between customers through market segmentation and performance analysis targeted at customer loyalty. CRM is defined as the core business strategy that integrates internal processes, functions, external networks to create and deliver value to its target customers at a profit (Iriana and Buttle 2006). Payne and Frow (2005) defined CRM as a strategic marketing approach that is concerned with the creation of improved shareholders value through the development of appropriate relationships with key customers and customer segment. In the view of Sin et al (2005) it is the utilization of extensive strategies and engineering to find, obtain and cultivate advantaged customers as well as maintain long term partnership between the firm and its customers. In Kotler and Armstrong (2004) CRM is the overall process of building and maintaining profitable customer relationship by delivering superior customer value and satisfaction, this in other words informed that the purpose of CRM revolves around the buyer- seller relationship. Both parties are beneficiaries in the relationship established. CRM is also a revolving process in which firms interact with their customers by generating, aggregating and analyzing customer's data as well as employing the result for marketing activities (Schoder and Madeja 2004). Bose (2002) opined that CRM is the act of acquisition, analysis and use of knowledge about customers in order to sell more goods and services effectively and efficiently by providing profitable service for both the firm and its customers'. According to Swift (2000) CRM is an organizations' approach to understanding and influencing customer behavior through meaningful communication to improve customer retention, profitability, loyalty, satisfaction and customer acquisition. CRM could also be seen as a bundle of marketing gimmicks aimed at customer retention which leads to customers sticking to firms offering even after a transaction is completed (Vavra, 1992). It is also referred to the activities that manufacturers practice for understanding its customer's demands and improving customers' satisfaction (Aggarwal, 1997).

Wali and Opara (2013<sup>a</sup>) defined Customer appreciation strategy as a marketing strategy adopted by organizations to reward its loyal customers with tangible and intangible gifts within a period. This is aimed at retaining its existing customers; winning new customers for the purpose of increasing ROI. Wali and Opara (2013) examined the impact of customer appreciation service on customer loyalty patronage in the Nigerian banking sector using the qualitative and quantitative approach. Their study found that CAS influences customer loyalty and advocacy. It also reported increased sales growth via the implementation of customer appreciation strategy. Therefore, we herein propose the three process domains for measuring customer appreciation strategy, they are: Service personalization; internal customers reward and external customers reward, this framework is suitable for use in the profit oriented organizations and the nonprofit making firms; it is presented in figure 1:0 below.

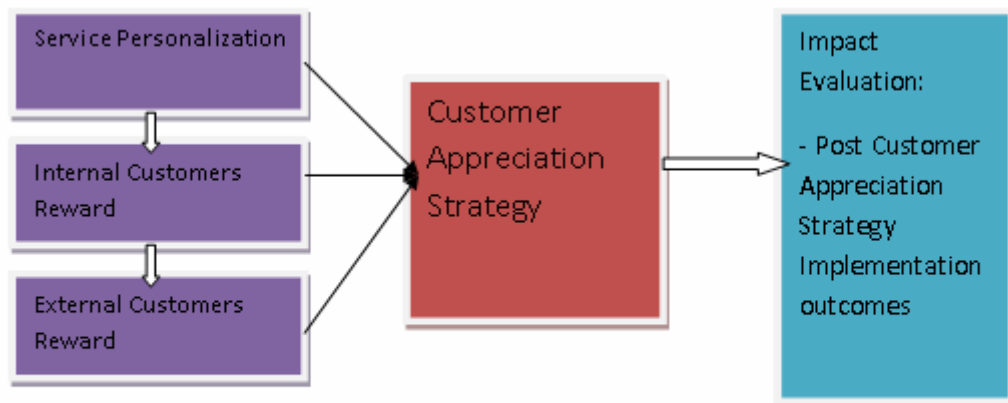


Figure 1. Wali & Opara (2013) A Three Process Conceptual Model for Customer Appreciation Strategy

## 2.1 Service Personalization

Service personalization can be defined as a market differentiation strategy targeted at meeting customers' demands based on their individual needs and wants for the purpose of keeping them satisfied at a profit. Coner (2003) Puts that service personalization enables a business to match the right product or service to the right customer for the right price, at the right time, with a view of giving each customer a unique consumption experience. More so, Kambil and Nunes (2001) described service personalization as an approach used in generating intelligence details of customers and analyzing their characteristics in order to make recommendations for effective planning. While Berg et al (2001) in their view noted that personalization is a strategy designed and tailored towards addressing customer interactions across all customer-facing departments such as sales, marketing, and customer service. Such tailoring strategy entails treating individual customers as market segments. Therefore, it is expedient to mention that service personalization strategy is likened to one-on-one marketing strategy, and its adoption and implementation could differ from one organization to another; and from one culture to another. For example, the service personalization strategy in the financial industry may differ from the service personalization strategy in the health industry or the traditional retail shop.

## 2.2 Internal Customer Reward

Joseph (1996) described internal marketing as an application of marketing, human resources management principles to motivate, mobilize, co-opt and manage employees at all levels of the organization to continuously improve the way they serve external customers and each other. Internal customers reward is described as an aspect of internal marketing strategy which rewards loyal and result oriented employees for excellent performance towards attaining the organizations overall objectives. In other words customer appreciation practices should emanate from within the organization from its employees, since they are seen as the internal customers of the organization. Some examples of internal reward are; issuance of gift items to most punctual employee; most courteous employee; most external customer friendly employee, etc. these are very few examples of rewarding systems for employees who have shown internal customer loyalty to the organization corporate norms and goals. This form of customer appreciation mechanism has the potentials of making employees more productive; in turn impact its sales growth; customer-employee relationship (customer-firm relationship) and ROI.

## 2.3 External Customer Reward

Here we advocate that organizations should segment their market and appreciate customers in variations. For example, in retail shops, customers who purchase items between \$1-\$100 can be classified as low buyers; \$110-\$300 as moderate buyers while \$301 and above are classified as big buyers and should be rewarded based on their buying capacity; this type of reward system is practiced by big retail shops within the UK and USA. This system not only encouraged consumers but it has the tendency of attracting repeat purchase behavior; customer loyalty; customer advocacy and high returns on investment. We note that a number of nonprofit making outfits such as; religious organizations have recently used this reward system to win target prospects.

## 3. Discussions/ Conclusion/ Recommendations/ Managerial Implication

From the review of the definition and prospects of customer appreciation strategy as a useful emerging business tool, it is imperative to note that CAS presents a viable marketing strategy that needs to be explored in achieving desired business objectives. This study which set out to conceptualize a framework for determining and applying the customer appreciation strategy for scholars and practitioners in the profit and nonprofit oriented organizations has established and proposed a three process dimensions for evaluating or deploying CAS. The study recommends this conceptualize framework for organizations when planning customer appreciation program. This tool will also be suitable for planning evangelism marketing. These recommendations have the potentials of advancing organizations mission and goals when positively considered. The use and implementation of these three model of CAS by industry players will enhance its employees-firm relationship; firm- customers' relationship; customer loyalty will be earned; and will lead to customer product advocacy; high return on investment and will have competitive advantage amongst industry players (Post Customer Appreciation Strategy Implementation outcomes).

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